

April 16, 2002

Council of the District of Columbia

BUDGET HEARING ON THE BUDGET REQUESTS OF THE OFFICE OF THE CHIEF FINANCIAL OFFICER FOR FISCAL YEAR 2003

Testimony of Julia Friedman, Deputy Chief Financial Officer, Office of Research and Analysis, before Committee on Finance and Revenue

Good afternoon, Mr. Chairman and members of the committee. I am Julia Friedman, Deputy Chief Financial Officer for the Office of Research and Analysis (ORA). I am pleased to appear before you today to present testimony on the FY 2003 budget request for ORA.

The Office of Research and Analysis is a relatively new organization whose mission is to provide up-to-date, sophisticated research that will enhance and assist the decision-making and performance capacity of the Office of the Chief Financial Officer (OCFO), as well as the Office of the Mayor, the Council, Congress, and others who are involved in the policies and administration of the District of Columbia. During our short history, we have made significant progress in developing our research and analytic capabilities, and have become a valuable resource for the OCFO and the District Government.

ORA is organized to support the following key responsibilities: (1) the development of revenue estimates for the District; (2) analysis of the District's economic base and economic development issues; (3) the preparation of legislative fiscal impact statements and special studies; (4) the preparation of financial statements and long-term financial plans; (5) the financial management and monitoring of grants; and (6) the management of sub-grant competitions for District agencies.

FY 2003 Budget Request

The FY 2003 budget request for the Office of Research and Analysis is 42 FTEs and \$3.475 million, which represents no change in FTEs and a net increase of \$89,000 to cover the costs of the approved FY 2001 District pay increase.

FY 2003 Programs

We have made significant progress during the past year, and we plan to continue to improve the quality of our research, analysis and service to the OCFO, the Mayor, the Council, and District agencies in FY 2003. For FY 2003 ORA has established performance goals that we believe will result in a stronger and more effective operation. These goals would require us to:

- Maintain the accuracy of our revenue estimates and improve the quality of fiscal impact statements;
- Establish standards for monitoring grants expenditures and competitive services grant activity; and
- Provide timely preparation and delivery of our research products and data analysis.

We are also committed to maintaining the quality of our staff and providing appropriate professional training.

Let me briefly discuss how we intend to meet these goals.

(1) Development of more sophisticated research databases

Much of our work depends on our ability to provide up-to-date research and analysis of the District's economy and tax base. We track and model the DC economy; we provide projections for quarterly revenue estimates; we support the OCFO's long-range financial planning efforts; and we devote significant staff and resources to financial analysis of the District's economic development projects.

We will continue our work to develop and upgrade our tax data warehouse and to improve our econometric forecasting models. We have a capable staff of analysts and will train them in more advanced techniques of accessing and using the expanded databases. We also will continue work on improving data management and quality, a particularly important function as new data from the Integrated

Tax System come online, and will expand the revenue estimating models that are currently in use in ORA.

(2) Make research products and data analysis more accessible.

We believe an important function of ORA is to provide improved service to the OCFO, the Mayor, the Council, and District agencies by making our research products, studies and data analysis more accessible and retrievable. During the past 18 months, we have developed several important research documents and reports that are now available both in print and online. These include monthly reports on DC Economic Indicators and DC Cash Collections and annual reports on D.C. tax rates and tax burdens compared to the 50 states and other large cities. A major research effort this year is an expanded study of tax expenditures that will be published in more complete form in the FY 2003 budget submission to Congress. We will continue efforts to develop reports and studies that will assist city officials and legislators in governing the District.

I am pleased to report that just within the last two weeks we placed on the CFO's Web site (www.cfo.dc.gov) all the fiscal impact statements prepared to date for Council Session 14, so that any Council member or agency official can easily retrieve copies. Over the next few months, we plan to add fiscal impact statements from Council Session 13. In addition, it is now possible to request a fiscal impact statement online.

(3) Improve monitoring and managing of grant spending.

In addition to research and analysis, ORA is responsible for the management of grant competitions for District agencies and the financial monitoring of grants. Our goal in FY 2003 is to strengthen and improve financial monitoring in this important area and to maximize the use of District resources to provide better services for District citizens. As we did for fiscal impact statements, we recently placed on the CFO's Web site announcements of grant competitions and information to assist agencies in seeking and awarding grant funds to community-based organizations. We also plan to make our quarterly reports on federal grant budget modifications available online.

We have a great deal of work ahead of us, and we look forward to working with the Council and agencies of the District government to accomplish the goals I have discussed.

Chairman Evans, I thank you and the members of the committee for the opportunity to testify today. I will be happy to answer any questions you might have.